

# Sandvik Q4

PRESS RELEASE 1 February 2007

Full-year report 2006

## Fourth quarter:

- Profit after financial items +23%, SEK 3,151 M.
- Order intake +19%\*, SEK 18,965 M.
- Earnings per share +28%, SEK 1.85.
- Cash flow -31%, SEK 1,526 M.

## Full-year 2006:

- Profit after financial items +26%, SEK 11,113 M.
- Order intake +16%\*, SEK 77,708 M.
- Net profit for the period +27%, SEK 8,107 M.
- Earnings per share +30%, SEK 6.45.
- Proposal for increased dividend of 3.25 SEK (2.70) and an extra distribution of 3.00 SEK per share.
- New financial targets.

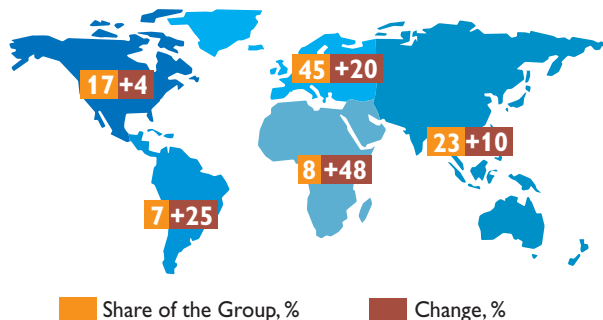


“The strong global demand for Sandvik’s products continued during the fourth quarter. Higher volumes and high internal efficiency contributed to improved earnings,” says Lars Pettersson, President and CEO of Sandvik.

“As a result, 2006 was another successful year for Sandvik. Invoicing totaled SEK 72.3 billion and profit after financial items rose 26% to SEK 11.1 billion. Through continued research and development efforts combined with a number of strategic acquisitions completed during the year, a solid platform has been established for continued profitable growth.”

“In view of Sandvik’s strong performance in recent years, and assessments regarding the company’s strength and positioning for the future, the Board of Directors has decided to implement new financial targets. It is also proposed that the Annual General Meeting approve an extra distribution of funds of 3.6 billion meaning a total distribution of 7.5 billion.”

## INVOICED SALES 4TH QUARTER\*



## KEY FIGURES

SEK M	Q4/06	Q4/05	Q1-4/06	Q1-4/05
Order intake	18 965	16 689	77 708	66 186
Invoiced sales	19 370	17 473	72 289	63 370
Operating profit	3 365	2 805	12 068	9 532
Earnings per share, SEK <sup>1)</sup>	1.85	1.45	6.45	4.95

1) Values for 2005 recalculated after split 5:1.

## BUSINESS AREAS – INVOICED SALES\*



Sandvik Tooling



Sandvik Mining and Construction



Sandvik Materials Technology

\* Percentage change compared to the same quarter in the preceding year at fixed exchange rates for comparable units.

For additional information please call +46 (0)26-26 10 23 or visit [www.sandvik.com](http://www.sandvik.com)



# Financial overview

<b>INCOME STATEMENT</b>	Q4	Q4	Change	Q1-4	Q1-4	Change
<b>SEK M</b>	2006	2005	%	2006	2005	%
Order intake	18 965	16 689	+14 <sup>1)</sup>	77 708	66 186	+17 <sup>1)</sup>
Invoiced sales	19 370	17 473	+11 <sup>2)</sup>	72 289	63 370	+14 <sup>2)</sup>
Operating profit	3 365	2 805	+20	12 068	9 532	+27
%	17.4	16.1		16.7	15.0	
Profit after financial items	3 151	2 566	+23	11 113	8 819	+26
%	16.3	14.7		15.4	13.9	
Profit of the period	2 354	1 892	+24	8 107	6 392	+27
%	12.2	10.8		11.2	10.1	
of which shareholders' interest	2 236	1 768	+26	7 701	6 021	+28
Earnings per share, SEK*	1.85	1.45	+28	6.45	4.95	+30

1) +19 % and +16 % respectively at fixed exchange rates for comparable units.

2) +17 % and +14 % respectively at fixed exchange rates for comparable units.

\* Calculated on the basis of the shareholders' share of profit for the period. Values for 2005 recalculated after 5:1 split.

## KEY FIGURES

	Full-year	Full-year
	2006	2005
No. of shares outstanding at end of period ('000) <sup>3)</sup>	1 186 287	1 186 287 <sup>1)</sup>
Average no. of shares ('000) <sup>3)</sup>	1 186 287	1 216 873 <sup>1)</sup>
Tax rate, %	27	28
Return on capital employed, % <sup>2)</sup>	27.6	23.7
Return on total equity, % <sup>2)</sup>	31.8	27.4
Shareholders' equity per share, SEK <sup>3)</sup>	22.0	19.80
Net debt/equity ratio	0.6	0.7
Equity/assets ratio, %	41	41
Net working capital, %	27	27
No. of employees	41 743	39 613

1) After cancellation of redeemed and repurchased shares.

2) Rolling 12 months.

3) Values for 2005 recalculated after 5:1 split.

## ORDER INTAKE AND INVOICED SALES BY MARKET AREA

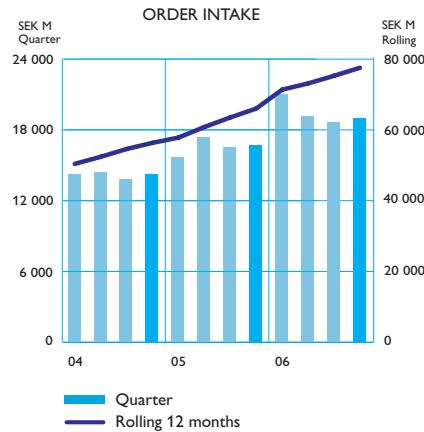
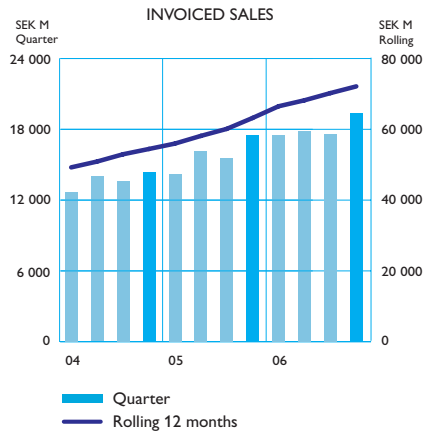
Fourth quarter 2006

Market area	Order intake	Change*		Share	Invoiced sales	Change*		Share
	SEK M	%	% <sup>1)</sup>			%	%	
Europe	9 256	+24	+26	49	8 777	+20		45
NAFTA	3 084	-6	0	16	3 348	+4		17
South America	1 427	+109	+65	7	1 276	+25		7
Africa/Middle East	1 104	+5	+5	6	1 547	+48		8
Asia/Australia	4 094	+16	+11	22	4 422	+10		23
Total	18 965	+19	+18	100	19 370	+17		100

\* At fixed exchange rates for comparable units.

1) Excluding project orders.

# Sales



**Invoicing** during the fourth quarter amounted to SEK 19,370 M (17,473), an increase of 11% and 17% excluding currency effects, for comparable units. Changed currency effects had a negative impact of 7% on invoicing. The increase for comparable units excluding currency effects was 11% for Sandvik Tooling and 25% for Sandvik Mining and Construction. The increase for Sandvik Materials Technology was 16%, of which about 6% was attributable to price compensation for increased raw materials prices.

**Order intake** totaled SEK 18,965 M (16,689), representing an increase of 14% and of 19% excluding currency effects for comparable units. Changed exchange rates affected order intake negatively by 7%. Growth excluding currency effects for comparable units was 11% for Sandvik Tooling and 32% for Sandvik Mining and Construction. The order intake for Sandvik Materials Technology rose by 15%, including a positive effect of approximately 6 percentage points as compensation for increased raw materials prices. Adjusted for major project orders, growth was 18% in the Group, 16% for Sandvik Mining and Construction and 33% for Sandvik Materials Technology.

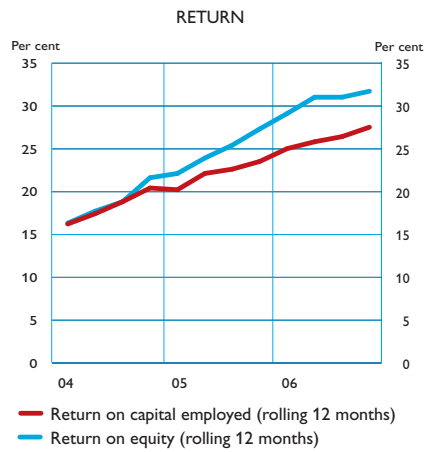
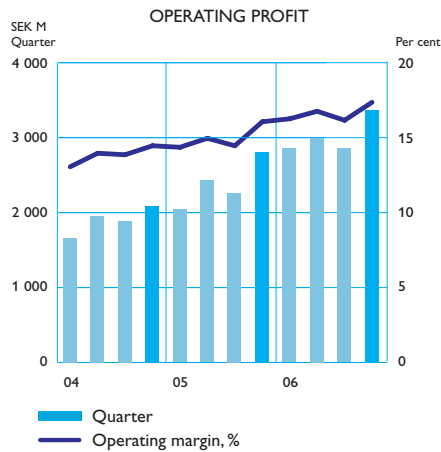
Demand for Sandvik's products remained highly favorable during the quarter. In Europe, demand was strong for all business areas and in most markets. Order intake rose 24% – 26%

adjusted for project orders. In NAFTA, the reported order intake declined by 6%, but was unchanged adjusted for project orders. Diminishing demand from the American automotive industry and certain consumer-related segments was offset by continued high demand from the oil/gas, aerospace and engineering industries. The trend in Africa/Middle East remained positive and order intake rose 5%. In South America, demand was extremely high, mainly for Sandvik Mining and Construction, and order intake increased by 65% adjusted for project orders – order intake up 109% including project orders. The order intake trend in Asia/Australia remained positive, increasing by 16% – up 11% adjusted for project orders. Growth remained highly favorable in China, India and Japan.

The industrial economy remained strong in most segments, such as the mining industry, energy-related applications and the process industry. Demand from the general engineering industry continued at a high level. Activity in the automotive industry outside NAFTA remained favorable, both from the heavy vehicle industry and the passenger car industry. In contrast, activity in the American automotive industry was weak for light and heavy vehicles, due among other factors to new exhaust emissions regulations. Activity remained high in the aerospace industry and demand rose, primarily in NAFTA.

CHANGE %	INVOICED SALES				ORDER INTAKE			
	Q4 2006	Q4 2005	Q1-4 2006	Q1-4 2005	Q4 2006	Q4 2005	Q1-4 2006	Q1-4 2005
Price/volume	+17	+11	+14	+14	+19	+8	+16	+15
Structural	+2	0	+1	-1	+2	0	+2	-1
Currency	-7	+10	-1	+3	-7	+10	0	+3
<b>Total</b>	<b>+11</b>	<b>+22</b>	<b>+14</b>	<b>+16</b>	<b>+14</b>	<b>+18</b>	<b>+17</b>	<b>+17</b>

# Earnings and return



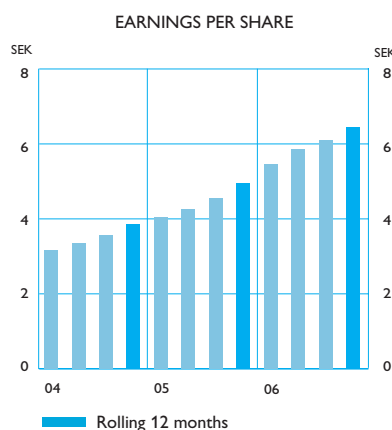
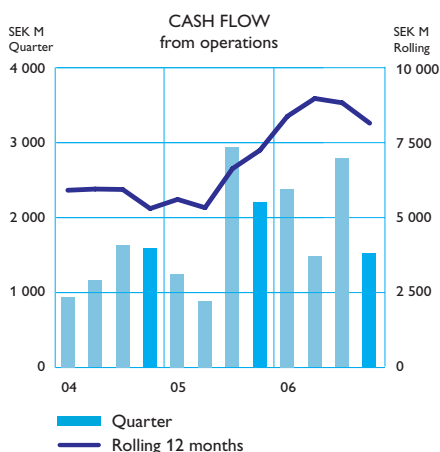
Operating profit in the fourth quarter amounted to SEK 3,365 M, an increase of 20% compared with the corresponding quarter a year earlier. The operating margin improved and amounted to 17.4% of invoiced sales. All business areas reported increased operating profit and operating margin. The earnings improvement was attributable to higher sales volumes and positive price trends, increased internal efficiency, successful product introductions and a more advantageous product mix within Sandvik Tooling and Sandvik Materials Technology. Changed exchange rates had a negative impact on earnings of SEK 260 M in the quarter.

Net financial items amounted to an expense of SEK 214 M (expense: 239).

Profit after financial income and expenses increased by 23% to SEK 3,151 M (2,566), 16.3 % of invoiced sales. Tax amounted to SEK 797 M (674). Net profit for the period increased by 24% to SEK 2,354 M (1,892). Earnings per share rose by 28% to SEK 1.85 (1.45).

Cash flow from operating activities amounted to SEK 1,526 M (2,206). Working capital increased during the quarter by SEK 1,258 M or 6% in volume compared with the preceding quarter, due mainly to higher business volumes impacting for example receivables, work in progress and goods in transit. Investments amounted to SEK 1,578 M (1,475) of which acquisitions SEK 180 M. Cash flow after investments was SEK 314 M (881) for the quarter.

Working capital as a percentage of invoicing amounted to 27% (27). The return on capital employed rose to 27.6% (23.7) through improved operating margin as well as increased capital efficiency. The return on shareholders' equity was 31.8% (27.4). Interest-bearing liabilities and provisions less cash and cash equivalents gave a net debt of SEK 16,811 M (16,653). Cash and cash equivalents amounted to SEK 1,745 M (1,559) and loans to SEK 15,175 M (14,506). Net debt/equity ratio was 0.6 (0.7).



# Sandvik Tooling

Sandvik Tooling's order intake in the fourth quarter amounted to SEK 5,673 M (5,451), up 11% for comparable units excluding currency effects. Invoicing totaled SEK 5,716 M (5,510), an increase from the preceding year of 11% for comparable units excluding currency effects.

The market trend remained favorable and demand for tools in cemented-carbide developed better than demand for high-speed steel tools. Demand rose further in Europe, with especially Germany and Italy showing favorable growth. In NAFTA, demand was high in several segments but weaker in the consumer-related industrial segments and in the segments for light and heavy vehicles. A slightly positive development was noted for cutting tools in South America, while the demand situation in Eastern Europe and Asia remained strong, particularly in Russia, China, India and Japan.

Demand from the engineering industry, oil/gas and the global heavy vehicle industries was favorable and demand increased in the aerospace industry, particularly in NAFTA. Activity in the automotive industry was good in Asia and most of Europe but weaker in North America.

Sandvik Tooling's long-term and close cooperation with customers with the aim of developing effective new products and production solutions, as well as improvements in the business area's own efficiency, is leading to an additional increase in competitiveness. During the quarter, a decision was made to discontinue the production unit in Halesowen, UK, for special tools. In addition, negotiations were initiated regarding the discontinuation of the production unit for high-speed steel tools in Worksop, UK. A new plant for cemented-carbide powder was inaugurated in



the US, as were upgraded plants for production of inserts in Brazil and the US.

The acquisition of Rexam's unit for the production of tools for can manufacture in Chicago, in the US, was announced in early January. This unit will be integrated with Sandvik Hard Materials' corresponding unit in Minneapolis, US. The acquired operation has been consolidated since 29 December, 2006.

Operating profit improved by 14% compared with the fourth quarter of 2005 and amounted to SEK 1,347 M (1,185). The operating margin totaled 23.6% (21.5). The profit increase was mainly attributable to high volumes, favorable price trends, high capacity utilization, better product mix and completed efficiency enhancements. Changed currency effects had a negative impact of SEK 90 M on profit. Capital efficiency in Sandvik Tooling developed favorably and the return on capital employed rose to 34.4% (31.3).

A new plant for powder production and an upgraded facility for inserts manufacturing were inaugurated in Westminster in the US.

## SANDVIK TOOLING

SEK M	Q4 2006	Q4 2005	Change %	Q1-4 2006	Q1-4 2005	Change %
Order intake	5 673	5 451	+11 *	22 730	21 084	+8 *
Invoiced sales	5 716	5 510	+11 *	22 477	20 847	+8 *
Operating profit	1 347	1 185	+14	5 191	4 420	+17
%	23.6	21.5		23.1	21.2	
Return on capital employed	34.4	31.3				
Number of employees	15 139	14 966	+1			

\* At fixed exchange rates for comparable units.

# Sandvik

## Mining and Construction

Sandvik Mining and Construction's order intake in the fourth quarter amounted to SEK 6,703 M (5,203), an increase of 32% excluding currency effects for comparable units. Adjusted for project orders, the increase was 16%.

Invoicing for comparable units excluding currency effects rose 25% to SEK 6,904 M (5,697).

As a result of the high demand for investment-related products and project solutions, the share of equipment and projects rose during the quarter to a total of about 55% and the aftermarket share accounted for approximately 45%. This relation is expected to remain in the beginning of 2007.

Demand from the mining industry for advanced solutions was strong and capacity utilization remained high. The capacity of both the business area's own organization and that of sub-suppliers is increasing continuously. Fluctuations in the price levels for various metals had no significant effect on the strong underlying demand for metals and minerals. Market activity was high during the quarter and demand for basic metals, precious metals and coal remained strong. Demand for machinery and tools from Sandvik Mining and Construction was strong for both underground and surface mining as well as construction industry within all geographical regions. Demand was particularly strong in South America and Asia, where the order intake, excluding project orders, rose 161% and 32%, respectively.

Operating profit in the fourth quarter rose



Sandvik Mining and Construction is continuously increasing its capacity for the assembly of mining equipment. New plants are being opened close to customers, such as this one in Poland.

by 29% to SEK 1,002 M (774) or 14.5% of invoiced sales. The increase was attributable primarily to higher volume and high capacity utilization combined with increased efficiency. The product mix during the quarter, with the aftermarket accounting for a lower proportion, had a negative impact of approximately 1 percentage point on the operating margin. However, the impact on the return on capital employed was favorable because of advance payments for projects. Changed exchange rates had a negative effect of approximately SEK 70 M on earnings. The return on capital employed increased to 31.6% (26.4).

### SANDVIK MINING AND CONSTRUCTION

	Q4 2006	Q4 2005	Change %	Q1-4 2006	Q1-4 2005	Change %
SEK M						
Order intake	6 703	5 203	+32 *	28 431	22 394	+21 *
Invoiced sales	6 904	5 697	+25 *	25 001	20 560	+18 *
Operating profit	1 002	774	+29	3 672	2 654	+38
%	14.5	13.6		14.7	12.9	
Return on capital employed	31.6	26.4				
Number of employees	12 165	10 640	+14			

\* At fixed exchange rates for comparable units.

# Sandvik

## Materials Technology

Sandvik Materials Technology's order intake in the fourth quarter amounted to SEK 5,143 M (4,700), an increase of 15% compared with the preceding year for comparable units excluding currency effects, or of 33% after adjustment for major project orders. Invoiced sales amounted to SEK 5,334 M (4,929), an increase of 16% for comparable units excluding currency effects. Price compensation for higher raw materials prices had a positive effect of about 6 percentage points on order intake and invoicing. This means that order intake increased by 9% and invoicing by 10% in comparable terms.

Demand for products from Sandvik Materials Technology remained highly favorable. The business climate in Europe was strong, particularly in Eastern Europe. In Asia/Australia, particularly China, India and Japan, a highly favorable order intake trend was noted. The trend in South America remained positive, while a slightly lower growth rate was reported in NAFTA.

Strategic efforts to increase the share of high-value-added niche products continued successfully during the quarter. Demand was very strong in key sectors such as the oil/gas, energy, medical technology, chemicals and petrochemical industries. Healthy demand was also reported for applications to the precision-mechanics industry. The market situation for consumer-products industries was generally favorable. Outside the US, the trend for products for the automotive industry was favorable.

Operating profit in the fourth quarter increased sharply as a result of higher sales vol-



One of the most important driving forces for Sandvik Materials Technology's business is the oil/gas industry, which showed continued strong growth in the fourth quarter.

umes, a better product mix, a favorable price trend and the effects of ongoing improvement efforts. Operating profit increased by 35% to SEK 772 M (573), corresponding to 14.5% of invoicing. Changed exchange rates had a negative effect of approximately SEK 30 M on earnings. Return on capital employed increased to 17.1% (13.2). The full-year operating margin was 12.0%, which means that both the operating margin and the return on capital employed are now within the framework of the goals established for Sandvik Materials Technology.

### SANDVIK MATERIALS TECHNOLOGY

MSEK	Q4 2006	Q4 2005	Change %	Q1-4 2006	Q1-4 2005	Change %
Order intake	5 143	4 700	+15*	20 978	17 712	+19*
Invoiced sales	5 334	4 929	+16*	19 337	17 003	+15*
Operating profit	772	573	+35	2 324	1 729	+34
%	14.5	11.6		12.0	10.2	
Return on capital employed	17.1	13.2				
Number of employees	8 585	8 368	+3			

\* At fixed exchange rates for comparable units, including price surcharges for increased raw material prices.

## Full-year 2006

Full-year 2006 was a record year for Sandvik in terms of order intake, invoicing and earnings.

The order intake amounted to SEK 77,708 M (66,186), an increase of 17% in total and 16% for comparable units excluding currency effects. Invoicing was SEK 72,289 M (63,370), an increase of 14% in total and 14% for comparable units excluding currency effects.

Operating profit amounted to SEK 12,068 M (9,532), an increase of SEK 2,536 M or 27%. The operating margin was 16.7% (15.0) of invoicing. Changed exchange rates had a positive impact on profit of about SEK 200 M from the beginning of the year.

Net financial items amounted to an expense

of SEK 955 M (expense: 713) and profit after financial items was SEK 11,113 M (8,819), an increase of 26%. The tax rate was 27%, and profit for the period amounted to SEK 8,107 M (6,392). Earnings per share amounted to SEK 6.45 (4.95).

Cash flow from operating activities amounted to SEK 8,170 M (7,266). The Group's investments in fixed assets amounted to SEK 4,801 M (3,665). Company acquisitions accounted for SEK 1,261 M. After investments, acquisitions and divestments, cash flow was SEK 2,846 M (3,582).

The number of employees was 41,743 (39,613 at 31 December 2005), an increase of 735 for comparable units since the beginning of the year.

## Significant events

- Among other resolutions, the Annual General Meeting held on May 2, 2006 decided to implement a 5-for-1 split of the Sandvik share. This split was implemented in June, whereby the number of Sandvik shares rose from 237 million to 1,186 million. At this Meeting, Fredrik Lundberg and Hanne de Mora were elected members of the Sandvik Board, after Arne Mårtensson and Lars Nyberg had declined re-election.
- Sandvik's strategic position was strengthened during the year. To an increasing extent, resources for both sales and production were allocated to high-growth markets and customer segments. In addition, a number of strategic steps were taken:
  - Sandvik Mining and Construction established a new product area, mineral exploration, in part through three strategic acquisitions.
  - In December, Metso Powdermet, specializing in powder-metallurgical components, was acquired by Sandvik Materials Technology.
  - Sandvik Tooling acquired Rexam EMD, a unit for manufacturing of tools for can production.
  - In January, Sandvik Mining and Construction acquired the Australian company Shark Abrasion Systems, a market leader in wear parts for underground loader buckets.
  - Also in January, Sandvik Tooling acquired the American company Diamond Innovations, a world leader in cutting tools based on super hard materials, synthetic diamond and cubic boron nitride. The company has annual sales exceeding SEK 1 billion, with about 600 employees.
  - A number of new companies were acquired during the year, with Sandvik's holding in all of these companies amounting to 100%. The discontinuation of a number of units was also announced during the year, with the aim of increasing internal efficiency.

### Acquired companies

	Company	Date	Annual sales, SEK M	Employees
SMC	SDS Corporation, Australia	Q2	650	500
SMC	UDR Group, Australia	Q2	275	100
SMC	Hagby-Asahi, Sweden/Japan	Q3	160	100
SMC	Implementos Mineros, Chile	Q3	90	90
SMT	Metso Powdermet, Sweden	Q4	90	13
Tooling	Rexam EMD, US	Q4	50	-
SMC	Shark Abrasion Systems, Australia	Q1/07	70	10
Tooling	Diamond Innovations, US	Q1/07	>1,000	600

## Parent Company

The Parent Company had invoiced sales of SEK 17,932 M (15,242) and operating profit of SEK 323 M (433). Interest-bearing liabilities and provisions, less cash and cash equiva-

lents and interest-bearing assets, amounted to SEK 4,445 M (8,266 at 31 December, 2005). Investments in fixed assets totaled SEK 1,011 M (715).

## Accounting principles

This report was prepared in accordance with IFRS, applying IAS 34, Interim Financial Reporting. The same accounting and valuation prin-

ciples were applied as in the most recent annual report.

## New financial targets

In view of Sandvik's strong performance in recent years, and assessments regarding the company's strength and positioning for the future, the Board of Directors of Sandvik AB has decided

to implement new long-term financial targets for the Group. The new targets are presented below (previous targets within parentheses).

<b>Financial targets</b>	<b>from 2007</b>	<b>(2000-2006)</b>
Organic growth	+8 % + acquisitions	(+6 % + acquisitions)
Return on capital employed	25 % for existing operations	(20 %)
Net debt/equity ratio	0.7-1.0	(<0.7)
Dividend as a percentage of earnings per share	≥50 %	(≥50 %)

## Motions to the Annual General Meeting

The Annual General Meeting will be held at Jernvallen in Sandviken on 26 April, at 5:00 p.m. The annual report for 2006 will be available approximately one month before the Meeting.

pared with the preceding year and corresponds to 50% of earnings per share.

The proposed record date for the dividend is 2 May, 2007.

### INCREASED DIVIDEND

As a result of the company's strong financial development and healthy prospects for the future, the Board of Directors proposes that the Annual General Meeting approve a dividend of SEK 3.25 per share (2.70 calculated after the split 5-for-1) or a total of SEK 3,855 M (3,203). The motion represents an increase of 20% com-

### EXTRA DISTRIBUTION OF FUNDS

The Board also proposes that the Annual General Meeting vote to implement a mandatory redemption process, whereby approximately SEK 3,600 M, or SEK 3.00 per share, be distributed to the shareholders. The estimated record date for the extra distribution is 22 May, 2007.

Sandviken, 1 February 2007

Sandvik AB; (publ)  
Board of Directors

**Appendices:**

1. The Group in brief.
2. Sales and operating profit.

The Company's auditors have not conducted a special audit of the full-year report 2006.

The Sandvik Group's earnings for the first quarter of 2007 will be published on 26 April 2007. The Annual General Meeting will be held in Sandviken on 26 April 2007.

Additional information is available from Sandvik Investor Relations, +46 (0)26-26 10 23, or by e-mail to [info.ir@sandvik.com](mailto:info.ir@sandvik.com)

A combined presentation and telephone conference will be held on 1 February at 2:00 p.m. at Operaterrassen in Stockholm.

**Calendar 2007:**

- 1 Feb Report on Fourth Quarter and Full Year 2006
- 26 Apr Annual General Meeting in Sandviken
- 26 Apr First Quarter Report
- 19 July Second Quarter Report
- 6 Sep Capital Markets Day
- 26 Oct Third Quarter Report

---

**POSTAL ADDRESS**

Sandvik AB  
Group Communications  
SE-811 81 Sandviken

**PUBLIC COMPANY (publ)**

Corp. Reg. No: 556000-3468  
VAT No: SE663000060901

**PHONE AND FAX**

+46 26 - 26 00 00  
+46 26 - 26 10 22

**WEB SITE AND E-MAIL**

[www.sandvik.com](http://www.sandvik.com)  
[info.group@sandvik.com](mailto:info.group@sandvik.com)

# Appendix 1

## The Group in brief

<b>INCOME STATEMENT SEK M</b>	Q4 2006	Q4 2005	Change %	Q1-4 2006	Q1-4 2005	Change %
Revenue	19 370	17 473	+11	72 289	63 370	+14
Cost of sales and services	-12 609	-11 398	+11	-47 084	-41 720	+13
Gross profit	6 761	6 075	+11	25 205	21 650	+16
% of revenue	34.9	34.8		34.9	34.2	
Selling expenses	-2 418	-2 305	+5	-9 342	-8 709	+7
Administrative expenses	-652	-581	+12	-2 524	-2 292	+10
R&D-expenses	-423	-423	0	-1 583	-1 412	+12
Other operating income and expenses	97	39	+149	312	295	+6
Operating profit	3 365	2 805	+20	12 068	9 532	+27
% of revenue	17.4	16.1		16.7	15.0	
Financial income	108	94	+15	306	374	-18
Financial expenses	-322	-333	-3	-1 261	-1 087	+16
Net financing cost	-214	-239	-10	-955	-713	+34
Profit after financial items	3 151	2 566	+23	11 113	8 819	+26
% of revenue	16.3	14.7		15.4	13.9	
Income tax expense	-797	-674	+18	-3 006	-2 427	+24
Profit for the period	2 354	1 892	+24	8 107	6 392	+27
% of revenue	12.2	10.8		11.2	10.1	
of which minority interests	118	124	-5	406	371	+9
of which shareholders' interest	2 236	1 768	+26	7 701	6 021	+28
Earnings per share, SEK	1.85	1.45		6.45	4.95	
<b>BALANCE SHEET SEK M</b>	Q4 2006	Q4 2005	Change %			
Intangible assets	6 251	5 874	+6			
Property, plant and equipment	17 677	16 687	+6			
Financial assets	3 653	3 271	+12			
Inventories	18 738	16 440	+14			
Current receivables	17 837	15 731	+13			
Cash and cash equivalents	1 745	1 559	+12			
Total assets	65 901	59 562	+11			
Total equity	27 198	24 507	+11			
Interest-bearing liabilities	18 555	18 212	+2			
Non-interest-bearing liabilities	20 148	16 843	+20			
Total equity and liabilities	65 901	59 562	+11			
Net working capital*	21 352	19 623	+9			

\* Inventories + trade receivables excl. prepaid income taxes – non-interest-bearing liabilities excl. tax liabilities.

## Appendix 1 (cont)

<b>CHANGE IN TOTAL EQUITY</b>	Q1-4	Q1-4		
<b>SEK M</b>	2006	2005		
Opening equity as shown in approved balance sheet for the preceding year (IFRS)	24 507	23 551		
Effect of change in accounting policy (IAS 39)	-	62		
Opening equity, as restated	24 507	23 613		
Currency translation differences	-1 825	1 813		
Equity settled share based payments	-144	-62		
Effect of hedge accounting in accordance with IAS 39	88	-148		
Dividends	-3 533	-3 012		
Purchase of minority owned shares in subsidiaries	-2	-125		
Redemption of own shares	-	-3 964		
Net profit for the period	8 107	6 392		
Closing equity	27 198	24 507		

<b>CASH-FLOW STATEMENT</b>	Q4	Q4	Q1-4	Q1-4
<b>SEK M</b>	2006	2005	2006	2005
<i>Cash flow from operating activities</i>				
Income after financial income and expenses	+3 151	+2 566	+11 113	+8 819
Adjustment for depreciation and impairment losses	+788	+708	+2 976	+2 713
Adjustment for items that do not require the use of cash	-222	-100	-291	-151
Income tax paid	-601	-236	-2 708	-1 828
Cash flow from operating activities before changes in working capital	+3 116	+2 938	+11 090	+9 553
<i>Changes in working capital</i>				
Change in inventories	-1 067	+18	-3 090	-1 766
Change in operating receivables	-1 180	-530	-2 523	-1 511
Change in operating liabilities	+657	-220	+2 693	+990
Cash flow from operating activities	+1 526	+2 206	+8 170	+7 266
<i>Cash flow from investing activities</i>				
Aquisitions of companies and shares, net of cash acquired	-180	-157	-1 261	-285
Purchase of property, plant and equipment	-1 398	-1 318	-4 801	-3 665
Proceeds from sale of companies and shares, net of cash disposed of	+65	+31	+70	+31
Proceeds from sale of property, plant and equipment	+301	+119	+668	+235
Net cash used in investing activities	-1 212	-1 325	-5 324	-3 684
Net cash flow after investing activities	+314	+881	+2 846	+3 582
<i>Cash flow from financing activities</i>				
Change in loans	-38	-1 324	+1 124	+3 087
Personnel options program	-32	-10	-80	-73
Redemption of own shares	-	-	-	-3 964
Dividends paid	-	-	-3 533	-3 012
Net cash used in financing activities	-70	-1 334	-2 489	-3 962
Cash flow for the period	+244	-453	+357	-380
Cash and cash equivalents at beginning of the period	1 580	2 007	1 559	1 720
Exchange-rate differences in cash and cash equivalents	-79	+5	-171	+219
Cash and cash equivalents at the end of the period	1 745	1 559	1 745	1 559

# Appendix 2

## Sales and operating profit

### INVOICED SALES BY MARKET AREA

SEK M	Q4	Full-year	Q1	Q2	Q3	Q4	Change Q4		Full-year
	2005	2005	2006	2006	2006	2006	%	% <sup>1)</sup>	2006
Europe	7 508	28 729	7 896	8 265	7 508	8 777	+17	+20	32 446
NAFTA	3 579	12 643	3 779	3 442	3 347	3 348	-6	+4	13 916
South America	1 089	3 552	931	1 030	1 102	1 276	+17	+25	4 339
Africa/Middle East	1 154	3 994	1 161	1 290	1 452	1 547	+34	+48	5 450
Asia/Australia	4 143	14 452	3 714	3 824	4 178	4 422	+7	+10	16 138
Group total	17 473	63 370	17 481	17 851	17 587	19 370	+11	+17	72 289

### ORDER INTAKE BY BUSINESS AREA

SEK M	Q4	Full-year	Q1	Q2	Q3	Q4	Change Q4		Full-year
	2005	2005	2006	2006	2006	2006	%	% <sup>1)</sup>	2006
Svk Tooling	5 451	21 084	6 095	5 694	5 268	5 673	+4	+11	22 730
Svk Mining and Construction	5 203	22 394	8 300	6 710	6 717	6 703	+29	+32	28 431
Svk Materials Technology	4 700	17 712	5 124	5 351	5 359	5 143	+9	+15	20 978
Seco Tools <sup>2)</sup>	1 327	4 965	1 459	1 368	1 275	1 438	+8	+17	5 540
Group activities	8	31	7	8	8	8			29
Group total	16 689	66 186	20 985	19 131	18 627	18 965	+14	+19	77 708

### INVOICED SALES BY BUSINESS AREA

SEK M	Q4	Full-year	Q1	Q2	Q3	Q4	Change Q4		Full-year
	2005	2005	2006	2006	2006	2006	%	% <sup>1)</sup>	2006
Svk Tooling	5 510	20 847	5 801	5 662	5 298	5 716	+4	+11	22 477
Svk Mining and Construction	5 697	20 560	5 539	6 039	6 518	6 904	+21	+25	25 001
Svk Materials Technology	4 929	17 003	4 719	4 783	4 501	5 334	+8	+16	19 337
Seco Tools <sup>2)</sup>	1 317	4 919	1 413	1 356	1 259	1 408	+7	+15	5 436
Group activities	20	41	9	11	11	9			38
Group total	17 473	63 370	17 481	17 851	17 587	19 370	+11	+17	72 289

### OPERATING PROFIT BY BUSINESS AREA

SEK M	Q4	Full-year	Q1	Q2	Q3	Q4	Change Q4		Full-year
	2005	2005	2006	2006	2006	2006	%	% <sup>1)</sup>	2006
Svk Tooling	1 185	4 420	1 294	1 314	1 235	1 347	+14		5 191
Svk Mining and Construction	774	2 654	800	918	952	1 002	+29		3 672
Svk Materials Technology	573	1 729	526	553	473	772	+35		2 324
Seco Tools <sup>2)</sup>	319	1 100	329	286	298	354	+11		1 266
Group activities	-46	-371	-96	-76	-104	-110			-385
Group total	2 805	9 532	2 853	2 995	2 854	3 365	+20		12 068

### OPERATING MARGIN BY BUSINESS AREA

% OF INVOICING	Q4	Full-year	Q1	Q2	Q3	Q4			Full-year
	2005	2005	2006	2006	2006	2006			2006
Svk Tooling	21.5	21.2	22.3	23.2	23.3	23.6			23.1
Svk Mining and Construction	13.6	12.9	14.4	15.2	14.6	14.5			14.7
Svk Materials Technology	11.6	10.2	11.1	11.6	10.5	14.5			12.0
Seco Tools <sup>2)</sup>	24.2	22.4	23.3	21.1	23.7	25.1			23.3
Group total	16.1	15.0	16.3	16.8	16.2	17.4			16.7

1) Change compared with year earlier at fixed exchange rates for comparable units.

2) As a result of the majority holding in Seco Tools AB, Sandvik consolidates this company.  
For comments, refer to the company's interim report.